



**Nebraska Sales and Use Tax**  
**WELL DRILLERS**  
**Spring 2013**

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#### For Businesses

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State Follows IRS in Providing  
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Cigarettes/Other Tobacco Products

Individual Income Tax

Individual Use Tax

Occupation Taxes

Sales and Use Tax

Income Tax Withholding

### Other Items of Interest

Audit Information

How to Start or Close Your  
Business

Construction Contractors

Homestead Exemption

Local Government Information

Major Legislative Changes

New Markets Job Growth Investment  
Tax Credit

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# Agenda

1. Overview of Sales Tax
  - A. Taxable Services
  - B. Well drillers are consumers...
2. Contractor Information
  - A. Contractor Database
  - B. Contractor Terms
  - C. Three Types of Transactions
  - D. Contractor Options
  - E. Job Site Outside of Nebraska
3. Commercial & Residential Wells
4. Contracts with Exempt Entities
5. Contracts for Agricultural Wells
  - A. Repair and Replacement Parts
6. Contracts for Wells Used in the Manufacturing Process
  - A. Manufacturing Machinery & Equipment (MME)
7. Recognize What is Taxable & Document What is

# 1.

# Overview of Sales Tax

[Back to agenda](#)

# 1. Overview of Sales Tax

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- What is a sales transaction?
- Sales tax is calculated on the gross receipts.
- Delivery location determines the rate of local tax.
- Sellers must collect sales tax or document why they didn't.
- What is use tax?

# 1. What is a Sales Transaction?

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A **SALE** is

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- the transfer of title or possession,
- of an item or taxable service,
- for consideration.



# 1. Sales Transaction (continued)

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## **SALES TAX** is

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- a transactional tax,
- based on the transaction,
- rather than the item sold.

# The Bottom Line For Sales Tax

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**Sellers must collect sales tax**  
– OR –  
**document why they did not.**

# 1. Sales Transaction (continued)

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## A LEASE OR RENTAL

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- is a SALE,
- because there is a transfer of POSSESSION.

# 1A. Taxable Services

- Computer software training
- Pest control services
- Building cleaning
- Security services
- Detective services
- Motor vehicle towing, washing/waxing, painting
- Installing/applying tangible personal property
- Animal specialty services
- Recreational vehicle (RV) park services
- Repair labor (with 4 exceptions)

*For a complete list of taxable and nontaxable services,  
see the [Nebraska and Local Sales Tax Information Guide](#) on our website.*

# 1A. Service Providers...

...are the **consumers** of the items used to provide the service; and  
...**must pay sales tax** on those items  
(even if the charge for the service is also taxable).

Example 1 – The carwash does not sell soap and wax, but a “**car wash**.”

Example 2 – A window cleaner is not selling window cleaner, but “**clean windows**.”

# 1B. Well drillers are consumers...

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...**who must pay sales tax** on supply items.

➤ **Examples of supply items -**

- Antifreeze
- Drilling Fluids
- Drilling Mud
- EZ Mud
- Grease
- Hydraulic Oil
- Motor Oil
- Quick Gel

# 1B. Well drillers are consumers...

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...**who must pay sales tax** on tools and equipment.

➤ **Examples of tools and equipment -**

- Drilling Equipment
- Drilling Rigs
- Vehicles
- Wrenches and Gauges

# 1B. Well drillers are consumers...

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**...EVEN WHEN THEY ARE  
CONTRACTORS!**

Building materials **DO NOT INCLUDE**  
tools, equipment, or services that do not  
become annexed to real estate.

Contractors **MUST PAY SALES OR  
USE TAX** on purchases of these items!



# 2.

## Contractor Information

[Back to agenda](#)

Well Drillers  
Spring 2013- 17

## 2A. Contractor Database

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- **EVERY** construction contractor making payment to a subcontractor must withhold 5%;...
- **UNLESS** the subcontractor is registered in the [Department of Labor's Contractor Registration Database](#).

## 2A. Contractor Database (continued)

- A single definition of “contractor” is used for purposes of the **Contractor Registration Act** and construction contractor **income tax withholding**.

*(This definition is slightly different than the sales and use tax definition of a contractor.)*

- A centralized registration system is used for construction contractors.
- The Department of Labor administers the **Contractor Database**.

## 2B. Contractor Terms

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- Construction Contractor
- Contractor Labor
- Building Materials
- Fixtures

## 2B. Term – Construction Contractor (Contractor)

- Makes repairs or improvements to real property or items annexed to real property.
- Arranges for the annexation.
  - **Examples of construction projects -**
    - Residential wells
    - Agricultural wells
    - Commercial wells

## 2B. Term – Contractor Labor

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- Annexing building materials to real estate.
- Repair of a structure.
- Repair of building materials that are or will be annexed to real estate.

**Charges for contractor labor are sales tax exempt.**

➤ **Example** - Annexing well pump

## 2B. Term – Building Materials

- Property (including fixtures) that will be annexed to real estate or to an improvement on real estate.

### ➤ Examples -

- Casing
- Concrete
- Electrical panel
- Gravel
- Sand

### ➤ Do Not Include -

- Equipment
- Supplies
- Tools
- Other items not annexed

## 2B. Term – Fixtures

- Equipment that is annexed to a building or structure so that it can properly function.
- Fixtures remain identifiable as a separate item.

### ➤ Examples -

- |                      |                      |
|----------------------|----------------------|
| ○ Air valves         | ○ Oil assemblies     |
| ○ Column tube shafts | ○ Pressure gauges    |
| ○ Couplers           | ○ Pumps              |
| ○ Faucet fittings    | ○ Swing check valves |
| ○ Heads              |                      |



# 2C. Three Types of Transactions

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1. **Retail Sales** (TPP & **Taxable Services**)  
**Taxable at the rate in effect where delivery occurs**
2. **Contractor Labor** (Well drillers are contractors)  
**Sales tax exempt**
3. **Nontaxable Services**

## 2D. Contractor Options

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- Contractor Options apply only to Construction Contractor Projects (CCP).
- Option chosen determines:
  - How sales and use tax is paid on building materials and fixtures; or
  - If sales tax is collected from the customer on building materials and fixtures.
- If an Option is not chosen, the default is Option 1. Audits will be conducted based on option chosen.

# 2D. Option 1 Contractor

## ➤ Transactions with the Supplier

- Purchases building materials and fixtures **sales tax exempt** for resale.
- Must give Nebraska supplier a properly completed [Form 13](#), Section C, Block 1.

## ➤ Transactions with the Customer

- **Does not collect sales tax** on separately stated charges for construction labor.
- **Must collect sales tax** on separately stated charges for building materials and fixtures.
- If the charges are not separately stated, the entire amount is **taxable**.

# Form 13, Section C, Block 1

<b>Nebraska Department of REVENUE</b>		<b>Nebraska Resale or Exempt Sale Certificate</b> for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		<b>FORM 13</b>
<b>NAME AND MAILING ADDRESS OF PURCHASER</b>		<b>NAME AND MAILING ADDRESS OF SELLER</b>		
Name _____		Name _____		
Street or Other Mailing Address _____		Street or Other Mailing Address _____		
City _____	State _____ Zip Code _____	City _____	State _____	Zip Code _____
<b>Check Type of Certificate</b> <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket    If blanket is checked, this certificate is valid until revoked in writing by the purchaser.				
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: <b>Check One</b> <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)				
<b>SECTION A — Nebraska Resale Certificate</b>				
Description of Item or Service Purchased _____ I hereby certify that the purchase, lease, or rental of _____ from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold. I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor of _____ Description of Product Sold, Leased, or Rented _____				
and hold Nebraska Sales Tax Permit Number 01- _____		If None, State Reason _____		
or Foreign State Sales Tax Number _____		State _____		
<b>SECTION B — Nebraska Exempt Sale Certificate</b>				
The basis for this exemption is exemption category _____ (Insert appropriate category as described on reverse of this form.) If exemption category 2 or 5 is claimed, enter the following information: Description of Item(s) Purchased _____    Intended Use of Item(s) Purchased _____				
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05- _____				
If exemption category 6 is claimed, seller must enter the following information and sign this form below: Description of Item(s) Sold _____    Date of Seller's Original Purchase _____    Was Tax Paid when Purchased by Seller? <input type="checkbox"/> YES <input type="checkbox"/> NO    Was Item Depreciable? <input type="checkbox"/> YES <input type="checkbox"/> NO				
<b>SECTION C — For Contractors Only</b>				
<b>1. Purchases of Building Materials or Fixtures:</b> <input type="checkbox"/> As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is: 01- _____				
<b>2. Purchases Made Under Purchasing Agent Appointment on behalf of _____ (exempt entity):</b> <input type="checkbox"/> Pursuant to an attached Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.				
<small>Any purchaser, or their agent, or other person who completes this certificate for any purchase which is other than for resale, lease, or rental in the                      regular course of the purchaser's business, or is not otherwise exempted from the sales and use tax under Neb. Rev. Stat. §§77-2701 through 77-27,135,                      shall in addition to any tax, interest, or penalty otherwise imposed, be subject to a penalty of \$100 or ten times the tax, whichever amount is larger, for                      each instance of presentation and misuse. With regard to a blanket certificate, this penalty shall apply to each purchase made during the period the blanket                      certificate is in effect. Under penalties of law, I declare that I am authorized to sign this certificate, and to the best of my knowledge and belief, it is correct                      and complete.</small>				
<b>sign here</b> _____ Authorized Signature		_____ Title		_____ Date

## 2D. Option 2 Contractor

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### ➤ Transactions with the Supplier

- Pays sales or use tax on purchases of building materials and fixtures.

### ➤ Transactions with the Customer

- Does **NOT** collect sales tax on any portion of the invoice. Cannot accept a Form 13.

## 2D. Option 3 Contractor


### ➤ Transactions with the Supplier

- Purchases building materials and fixtures **sales tax exempt**.
- Must give Nebraska supplier a properly completed [Form 13](#), Section C, Block 1.

### ➤ Transactions with the Customer

- **Must remit use tax** at the rate in effect at the time and place of withdrawal of building materials and fixtures from inventory.
- Does **NOT** collect sales tax on any portion of the invoice. Cannot accept a Form 13.

# Form 13, Section C, Block 1

 <b>Nebraska Resale or Exempt Sale Certificate</b> for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		<b>FORM 13</b>	
<b>NAME AND MAILING ADDRESS OF PURCHASER</b>		<b>NAME AND MAILING ADDRESS OF SELLER</b>	
Name		Name	
Street or Other Mailing Address		Street or Other Mailing Address	
City	State	City	State
Zip Code		Zip Code	
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket    If blanket is checked, this certificate is valid until revoked in writing by the purchaser.			
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: <b>Check One</b> <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)			
<b>SECTION A — Nebraska Resale Certificate</b>			
Description of Item or Service Purchased I hereby certify that the purchase, lease, or rental of _____ from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold. I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor of _____ Description of Product Sold, Leased, or Rented			
and hold Nebraska Sales Tax Permit Number    01- _____ or Foreign State Sales Tax Number    _____ State    _____ If None, State Reason			
<b>SECTION B — Nebraska Exempt Sale Certificate</b>			
The basis for this exemption is exemption category _____ (Insert appropriate category as described on reverse of this form.) If exemption category 2 or 5 is claimed, enter the following information: Description of Item(s) Purchased    Intended Use of Item(s) Purchased _____ If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number.    05- _____ If exemption category 6 is claimed, seller must enter the following information and sign this form below: Description of Item(s) Sold    Date of Seller's Original Purchase    Was Tax Paid when Purchased by Seller?    Was Item Depreciable? _____    _____ <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> YES <input type="checkbox"/> NO			
<b>SECTION C — For Contractors Only</b>			
<b>1. Purchases of Building Materials or Fixtures:</b> <input type="checkbox"/> As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is:    01- _____			
<b>2. Purchases Made Under Purchasing Agent Appointment on behalf of _____ (exempt entity):</b> <input type="checkbox"/> Pursuant to an attached Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.			
<small>Any purchaser, or their agent, or other person who completes this certificate for any purchase which is other than for resale, lease, or rental in the regular course of the purchaser's business, or is not otherwise exempted from the sales and use tax under Neb. Rev. Stat. §§77-2701 through 77-27,135, shall in addition to any tax, interest, or penalty otherwise imposed, be subject to a penalty of \$100 or ten times the tax, whichever amount is larger, for each instance of presentation and misuse. With regard to a blanket certificate, this penalty shall apply to each purchase made during the period the blanket certificate is in effect. Under penalties of law, I declare that I am authorized to sign this certificate, and to the best of my knowledge and belief, it is correct and complete.</small>			
<b>sign here</b> _____ Authorized Signature		_____ Title	_____ Date

# **2E. Building Materials & Fixtures for a Job Site Outside Nebraska**



## 2E. Option 1 (Out-of-state)

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### NO NEBRASKA SALES OR USE TAX LIABILITY

- There is **no sales or use tax due** when the Option 1 contractor withdraws building materials and fixtures from a **tax-free inventory**...
- ...which are annexed to real estate in another state.

## 2E. Option 2 (Out-of-State)

### NO NEBRASKA SALES TAX CREDIT

- The Option 2 contractor **cannot get a sales tax credit** when withdrawing building materials & fixtures from **tax-paid inventory**.
- Credit for sales tax paid may be available from the other state.
- These contractors may have the supplier deliver materials to the job site out-of- state and **pay no Nebraska sales & use tax**.

# Option 3 (Out-of-State)

## REMITTS USE TAX TO NEBRASKA

- The Option 3 contractor **must remit use tax** when withdrawing building materials and fixtures from the **tax-free inventory**...
- ...at the rate in effect at the time and place inventory is withdrawn.
- These contractors may have the supplier deliver materials to the job site out-of-state and **pay no Nebraska sales & use tax.**

# **3.**

## **Construction Contracts for Commercial & Residential Wells**

[Back to agenda](#)

# 3. Commercial & Residential Wells

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## Option 1 Well Drillers

- **Do not collect sales tax** on separately-stated charges for construction labor.
- **Must collect sales tax** on separately-stated charges for building materials and fixtures.

## Option 2 or 3 Well Drillers

- **Do not collect sales tax** on any portion of the invoice. Cannot accept a Form 13.

# 4.

## **Construction Contracts with Exempt Entities**

## 4. Exempt Entities

- How do I know if the project owner is an exempt entity?
  - [Governmental Entity information guide](#)
  - [Nonprofit information guide](#)
  - [Contact the Department](#)

### **IMPORTANT REMINDER:**

Not **ALL** nonprofits or governmental units  
are exempt from sales tax!

## 4. Exempt Entities (continued)

### Governmental units that sell electricity, gas, heat, or water

The following governmental units can sell these items and still claim a **sales tax exemption**:

- Nebraska irrigation districts;
- Nebraska reclamation districts; and
- Any Nebraska public power irrigation district.

Any other **DEPARTMENTS** or portions of governmental units that sell electricity, gas, heat or water are **not sales tax exempt**.



## 4. Exempt Entities (continued)

### Governmental units that sell electricity, gas, heat, or water

- A well driller can invoice the departments of **governmental units that are not sales tax exempt** the same way it would invoice for a commercial well.
- For all other **exempt governmental units and exempt entities** (for example, airport authorities), the well driller should obtain a [Form 17](#) prior to the start of the project.

# Form 17

## “Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax”

- Supports **why tax was not paid or collected** on building materials and fixtures for construction projects with exempt entities.

## 4. Exempt Entities (continued)

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### PRIME CONTRACTORS

- Receive [Form 17](#) from project owner **PRIOR TO** the start of the project.
- Complete the lower portion.
- Provide copies to any subcontractors on the project so they can buy building materials and fixtures **sales tax exempt**.

# Form 17



## Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax

FORM  
17

PURCHASING AGENT APPOINTMENT			
Name and Address of Prime Contractor		Name and Address of Governmental Unit or Exempt Organization	
Name		Name	
Street or Other Mailing Address		Street or Other Mailing Address	
City	State	City	State
	Zip Code		Zip Code
Name and Location of Project		Appointment Information	
Name		Effective Date (see Instructions)	
Street or Other Mailing Address		Expiration Date	
City	State	Nebraska Exemption Number (Exempt Organizations Only)	
	Zip Code		
Identify Project			

The undersigned governmental unit or exempt organization appoints the above-named contractor and the contractor's delegated subcontractors as its agent to purchase and pay for building materials that will be annexed to real estate by them into the tax exempt construction project stated above.

**sign  
here**

Authorized Signature of Governmental Unit or Exempt Organization

Title

Date

DELEGATION OF PRIME CONTRACTOR'S AUTHORITY	
Name and Address of Subcontractor	Delegation Information
Name	Effective Date
Street or Other Mailing Address	Expiration Date
City	Portion of Project
State	
Zip Code	

The undersigned prime contractor hereby delegates authority to act as the purchasing agent of the named governmental unit or exempt organization to the above-named subcontractor.

**sign  
here**

Signature of Prime Contractor or Authorized Representative

Title

Date

## 4. Contracts with Exempt Entities (continued)

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### OPTION 1 PRIME CONTRACTORS

- Receive [Form 17](#) and [Form 13](#) from project owner **PRIOR TO** the start of the project.
- Complete the Delegation of Prime Contractor's Authority portion of the Form 17.
- Complete a Form 13 and provide it with a copy of the Form 17 to Option 1 subcontractors.
- Provide copies of the Form 17 to any Option 2 or 3 subcontractors on the project so they can buy building materials and fixtures sales tax exempt.

## 4. Exempt Entities (continued)



### OPTION 2 CONTRACTOR

- Purchases building materials & fixtures **sales tax exempt** by giving:
  - A copy of [Form 17](#); and
  - [Form 13](#), Section C, Block 2;to the Nebraska supplier.

## 4. Exempt Entities (continued)

### OPTION 3 CONTRACTOR

- Purchases building materials & fixtures **sales tax exempt** by giving [Form 13](#), Section C, Block 1 to the Nebraska supplier.
- **DOES NOT owe use tax** on items when it obtains a properly completed [Form 17](#) **PRIOR TO** the start of the project.

## 4. Exempt Entities (continued)

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- **ONLY** building materials and fixtures that become annexed to real estate may be purchased **sales tax exempt**.
- Contractors **MUST pay sales or use tax** on all purchases or rentals of equipment, tools, and taxable services used to complete the project.



## **4. Exempt Entities** (continued)

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### **Routine, On-call Repair for Exempt Entities**

Contractors who are on-call for exempt entities may obtain a [Form 17](#) for routine, on-call repair. ??

- There must be a written agreement.
- One year period of time only.

# 5.

## Construction Contracts for Agricultural Wells

[Back to agenda](#)

Well Drillers  
Spring 2013 - 50

# 5. Agricultural Wells

## Option 1 Well Driller

- **Does not collect sales tax** on separately-stated charges for construction labor.
- If a [Form 13](#), Section B, Category 2 is received from the farmer/producer, then the separately-stated charges for the well fixtures are **sales tax exempt**.
- The charges for building materials that are not fixtures (for example, casings) are **taxable**.

# Form 13, Section B

<b>Nebraska Department of REVENUE</b>		<b>Nebraska Resale or Exempt Sale Certificate</b> for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		<b>FORM 13</b>	
<b>NAME AND MAILING ADDRESS OF PURCHASER</b>			<b>NAME AND MAILING ADDRESS OF SELLER</b>		
Name _____			Name _____		
Street or Other Mailing Address _____			Street or Other Mailing Address _____		
City _____ State _____ Zip Code _____		City _____ State _____ Zip Code _____			
<b>Check Type of Certificate</b> <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket    If blanket is checked, this certificate is valid until revoked in writing by the purchaser.					
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: <b>Check One</b> <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)					
<b>SECTION A — Nebraska Resale Certificate</b>					
Description of Item or Service Purchased _____ I hereby certify that the purchase, lease, or rental of _____ from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold. I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor of _____ Description of Product Sold, Leased, or Rented _____					
and hold Nebraska Sales Tax Permit Number 01- _____ If None, State Reason _____ or Foreign State Sales Tax Number _____ State _____					
<b>SECTION B — Nebraska Exempt Sale Certificate</b>					
The basis for this exemption is exemption category _____ (Insert appropriate category as described on reverse of this form.) If exemption category 2 or 5 is claimed, enter the following information:					
Description of Item(s) Purchased _____			Intended Use of Item(s) Purchased _____		
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05- _____					
If exemption category 6 is claimed, seller must enter the following information and sign this form below:					
Description of Item(s) Sold _____		Date of Seller's Original Purchase _____		Was Tax Paid when Purchased by Seller? <input type="checkbox"/> YES <input type="checkbox"/> NO Was Item Depreciable? <input type="checkbox"/> YES <input type="checkbox"/> NO	
<b>SECTION C — For Contractors Only</b>					
<b>1. Purchases of Building Materials or Fixtures:</b> <input type="checkbox"/> As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is: 01- _____					
<b>2. Purchases Made Under Purchasing Agent Appointment on behalf of _____ (exempt entity):</b> <input type="checkbox"/> Pursuant to an attached Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.					
Any purchaser, or their agent, or other person who completes this certificate for any purchase which is other than for resale, lease, or rental in the regular course of the purchaser's business, or is not otherwise exempted from the sales and use tax under Neb. Rev. Stat. §§77-2701 through 77-27,135, shall in addition to any tax, interest, or penalty otherwise imposed, be subject to a penalty of \$100 or ten times the tax, whichever amount is larger, for each instance of presentation and misuse. With regard to a blanket certificate, this penalty shall apply to each purchase made during the period the blanket certificate is in effect. Under penalties of law, I declare that I am authorized to sign this certificate, and to the best of my knowledge and belief, it is correct and complete.					
<b>sign here</b> _____ <small>Authorized Signature</small>		_____ <small>Title</small>		_____ <small>Date</small>	

## 5. Agricultural Wells (continued)

### Option 2 Well Driller

- When drilling an **AGRICULTURAL** well, the contractor **may NOT purchase ANY building materials or fixtures sales tax exempt.**

### Option 3 Well Driller

- When drilling an **AGRICULTURAL** well, the contractor still **owes use tax** on the cost of all building materials and fixtures.

*Option 2 and 3 well drillers do **NOT** collect sales tax on any portion of the invoice.  
They **cannot** accept a Form 13.*

# 5A. Repair & Replacement Parts

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- Repair and replacement parts for ag equipment (for example, well fixtures) are **NOT exempt from sales and use taxes.**
- Purchasers of repair parts, when used for commercial ag equipment, **cannot issue a Form 13** to exempt these purchases.
- Repair labor for ag equipment is **sales tax exempt PROVIDED** it is separately stated on the customer's invoice.

## 5A. Repair & Replacement Parts (continued)

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- **HOWEVER**, the purchaser may apply for a refund of sales tax if:
  - The repair parts are depreciable; and
  - The property repaired is qualified ag equipment.
- To obtain a refund, file a Form 7AG-1 within three years of the date of purchase.

# Form 7AG-1



**Nebraska Sales and Use Tax Refund Claim**  
 for Agricultural Machinery and Equipment Purchases or Leases  

**RESET**

- Read instructions on reverse side
- Type or print clearly

**FORM**  
**7AG-1**

Federal Employer I.D. or Social Security Number \_\_\_\_\_

**NAME AND MAILING ADDRESS OF PURCHASER/LESSEE**

Name \_\_\_\_\_

Street or Other Mailing Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

PLEASE DO NOT WRITE IN THIS SPACE

County where property will be located for property taxation (a copy of this claim will be forwarded to the appropriate county assessor and all property listed herein will be subject to personal property taxation) \_\_\_\_\_

If leased, will this property be leased or rented for less than one year?  
☐ YES ☐ NO

QUALIFYING AGRICULTURAL MACHINERY AND EQUIPMENT						
	Description of Property (List Each Item Separately)	Date Purchased/ Leased Mo. Day Yr.	Net Purchase/ Lease Price \$	Local Jurisdiction Imposing Tax	Local Sales and Use Tax Paid \$	Nebraska Sales and Use Tax Paid \$
1						
2						
3						
4						
5						
6	Total local sales and use tax paid.....				\$	
7	Total Nebraska sales and use tax paid.....					\$
8	Total refund claimed for Nebraska and local sales and use tax paid (total of lines 6 and 7). No refund will be made if the total amount claimed is less than \$2.00.....					\$

I declare, under penalties of law, that I have examined this claim, and to the best of my knowledge and belief, it is correct and complete.  
 I also declare that payment of this claim has not been previously made by the state, nor have I claimed or received a refund from the retailer.

**sign here**

\_\_\_\_\_  
Signature of Purchaser, Lessee, or Agent

\_\_\_\_\_  
Printed Name

( )  
\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Date

For more detailed information, refer to the [Form 7AG-1 instructions](#).



# 6.

## **Construction Contracts for Wells Used in the Manufacturing Process**

# 6. What is Manufacturing?

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## **Manufacturing is...**

performing any action or series of actions on tangible personal property – by hand or machine – resulting in the property being reduced or transformed into a different...

- Form
- State
- Property
- Thing
- Quality

## 6. What is manufacturing? (continued)

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Manufacturing **does not** include:

- Bottling
- Commercial agricultural operations or support of those operations
- Document shredding
- Generation or transmission of electricity
- Mining
- Preparation of food for immediate consumption
- Production or transmission of information or data
- Purification or transportation of water
- Retail operations
- Sorting

# 6A. Manufacturing Machinery & Equipment (MME)

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MME is machinery or equipment:

- Used in manufacturing; and
- Purchased by a person or entity engaged in the business of manufacturing.

**MME can be purchased sales tax exempt.**

## 6A. MME (continued)

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Machinery and equipment is **exempt from sales and use taxes** when **BOTH** these criteria have been met:

1. More of the manufacturer's total annual revenue is from sales of tangible personal property they manufacture than from any other business activity;

**AND**

2. The machinery and equipment is used more than 50% of the time in manufacturing.

## 6A. MME (continued)


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- When work on MME involves charges for contractor labor:
  - **Contractor labor is sales tax exempt;** &
  - Contractor option chosen determines **taxability** of purchases of MME, or any repair parts.

## 6A. Option 1 (MME)

- Obtains [Form 13](#), Section B, Category 5 from the manufacturer.
- May **purchase building materials & fixtures sales tax exempt.**
- **Does not collect sales tax** on MME (for example, well fixtures) **PROVIDED** a completed Form 13 is received from the manufacturer.
- Will **collect tax** on building materials (for example, casings) that are not fixtures.

# Form 13, Section B

 <b>Nebraska Department of REVENUE</b>	<b>Nebraska Resale or Exempt Sale Certificate</b> for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>	<b>FORM 13</b>
NAME AND MAILING ADDRESS OF PURCHASER		
Name		Name
Street or Other Mailing Address		Street or Other Mailing Address
City	State	Zip Code
NAME AND MAILING ADDRESS OF SELLER		
Name		Name
Street or Other Mailing Address		Street or Other Mailing Address
City	State	Zip Code
Check Type of Certificate		
<input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket    If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:		
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		
SECTION A — Nebraska Resale Certificate		
Description of Item or Service Purchased		
I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold.		
I further certify that we are engaged in business as a:		
<input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor		
of Description of Product Sold, Leased, or Rented		
and hold Nebraska Sales Tax Permit Number    01-		
or Foreign State Sales Tax Number    State		
SECTION B — Nebraska Exempt Sale Certificate		
The basis for this exemption is exemption category    (Insert appropriate category as described on reverse of this form.)		
If exemption category 2 or 5 is claimed, enter the following information:		
Description of Item(s) Purchased	Intended Use of Item(s) Purchased	
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number.    05-		
If exemption category 6 is claimed, seller must enter the following information and sign this form below:		
Description of Item(s) Sold	Date of Seller's Original Purchase	Was Tax Paid when Purchased by Seller?
		<input type="checkbox"/> YES <input type="checkbox"/> NO
		Was Item Depreciable?
		<input type="checkbox"/> YES <input type="checkbox"/> NO
SECTION C — For Contractors Only		
1. Purchases of Building Materials or Fixtures:		
<input type="checkbox"/> As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is:    01-		
2. Purchases Made Under Purchasing Agent Appointment on behalf of    (exempt entity) :		
<input type="checkbox"/> Pursuant to an attached Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.		
Any purchaser, or their agent, or other person who completes this certificate for any purchase which is other than for resale, lease, or rental in the regular course of the purchaser's business, or is not otherwise exempted from the sales and use tax under Neb. Rev. Stat. §§77-2701 through 77-27,135, shall in addition to any tax, interest, or penalty otherwise imposed, be subject to a penalty of \$100 or ten times the tax, whichever amount is larger, for each instance of presentation and misuse. With regard to a blanket certificate, this penalty shall apply to each purchase made during the period the blanket certificate is in effect. Under penalties of law, I declare that I am authorized to sign this certificate, and to the best of my knowledge and belief, it is correct and complete.		
<b>sign here</b>	Authorized Signature	Title
Date		



## 6A. Options 2 & 3 (MME)

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- Both Options **owe sales or use tax** on MME (for example, well fixtures) and on parts purchased and annexed to the manufacturer's real estate.
- Cannot accept a Form 13, Section B, Category 5 from the manufacturer.
- Manufacturer can purchase MME **sales tax exempt** directly from a 3<sup>rd</sup> party vendor.

# 7.

## **Recognize What is Taxable & Document What is Exempt**

# 7. Recognize What is Taxable & Document What is Exempt

## Option 1

### Taxable

- City water department well
- Manufacturer - other well
- Residential well

Option applies

Option applies

Option applies

### Sales Tax Exempt

- Ag equipment for well (new only)
- Manufacturer - MME well
- U.S. Government well

Form 13, Section B

Form 13, Section B

Form 17 and Form 13

**Equipment rental is taxable to the contractor.**

# Taxable & Exempt (continued)

## Options 2 & 3

### Taxable

- Ag equipment for well
- City water department
- Manufacturer - MME well
- Manufacturer - other well
- Residential well

Option applies

Option applies

Option applies

Option applies

Option applies

### Sales Tax Exempt

- U.S. Government well

Form 17

**Equipment rental is taxable to the contractor.**

# 8.

## Overview of Use Tax

[Back to agenda](#)

# Use Tax



- Use tax is due **ONLY** when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- It is **NOT a duplication** of sales tax
- The difference is **WHO** remits the tax:
  - **Sales tax** is collected and remitted by the **seller**.
  - **Use tax** is remitted by the **purchaser/consumer/contractor**.

# Use Tax (continued)



- Use tax and sales tax have these things in common:
  - Calculated at the same rate
  - Imposed on the same transactions
  - Have the same exemptions

# Use Tax (continued)

- **Use tax is often due** when purchases are made by an Option 2 or 3 contractor and:
  - Building materials or fixtures are picked up in another state; or
  - Building materials or fixtures are delivered to the job site by a supplier who does not charge sales tax.
- **Use tax is due** when any contractor withdraws **tax-free inventory** for business or personal use.



# Contractor Reminder:

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- Building materials **DO NOT INCLUDE** tools, equipment, or services that do not become annexed to real estate.
- Contractors **MUST PAY SALES OR USE TAX** on purchases of these items!

# 7J. Psychic Services



## Nontaxable services include:

- Counseling
- Palm Reading
- Tarot Reading
- Astrology Reading
- Chakra Balancing

*Note: Books, magazines, and other tangible personal property are generally subject to tax.*



**Let us know what you think.  
Please turn in your evaluation!**

**THANK YOU!**